



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

since the obligation became an intercompany liability eliminated in the group consolidated financial statements. The value of the lease liability at the acquisition date was US\$87 million. Please refer to note 4.3.1 Financial Highlights.

Maturity of the lease liabilities is analyzed as follows:

| | 31 December 2020 |
|-------------------------------|------------------|
| Within one year | 20 |
| Between 1 and 2 years | 18 |
| Between 2 and 5 years | 28 |
| More than 5 years | 6 |
| Balance at 31 December | 71 |

The total cash outflow for leases in 2020 was US\$31 million, which includes redemptions of principal and interest payments.

4.3.25 DEFERRED INCOME

Deferred income is as follows:

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Deferred income on operating lease contracts | - | 150 |
| Total | 0 | 150 |

The deferred income on operating lease contracts was mainly related to the revenue *FPSO Espirito Santo*, which reflected a decreasing day-rate schedule. As revenue is shown in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates was included as deferred income as of December 31, 2019.

The decrease in deferred income of US\$150 million compared with prior year is entirely due to the sale of the *FPSO Espirito Santo* following the newly negotiated contract with the client in December 2020, which resulted in a finance lease accounting treatment instead of an operating lease. We refer to note 4.3.15 Finance Lease Receivables.

4.3.26 PROVISIONS

The movement and type of provisions during the year 2020 are summarized as follows:

Provisions (movements)

| | Demobilisation | Onerous contracts | Warranty | Employee benefits | Restructuring | Other | Total |
|--|----------------|-------------------|-----------|-------------------|---------------|------------|------------|
| Balance at 31 December 2019 | 124 | - | 49 | 28 | 0 | 81 | 283 |
| Derecognition at 1 January following early application IFRS 16 | - | - | - | - | - | - | - |
| Balance at 1 January 2020 | 124 | - | 49 | 28 | 0 | 82 | 283 |
| Arising during the year | 18 | 3 | 19 | 5 | 46 | 95 | 187 |
| Unwinding of interest | 7 | - | - | 0 | - | - | 7 |
| Utilised | (13) | 0 | (1) | (1) | (16) | (5) | (35) |
| Released to profit | (0) | - | (30) | (3) | (0) | (12) | (46) |
| Other movement | 0 | - | (0) | 5 | (25) | 1 | (19) |
| Balance at 31 December 2020 | 135 | 3 | 37 | 34 | 6 | 161 | 377 |
| of which : | | | | | | | |
| Non-current portion | 111 | 1 | - | 34 | - | 102 | 248 |
| Current portion | 23 | 2 | 37 | - | 6 | 59 | 128 |

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Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item 'Financial expenses' of the consolidated income statement (please refer to note 4.3.9 Net Financing Costs).

The increase in the provision for demobilization related mainly to a reassessment of the expected demobilization, towing and green recycling costs of the Deep Panuke MOPU unit. The utilization of the provision over the year also relate to the decommissioning of this unit, which has commenced in 2020.

Expected outflow within one year is US\$23 million and amounts to US\$85 million between one and five years, and US\$24 million after five years.

Onerous contracts

The restructuring activities and the reallocation of activities and resources has led to vacating certain leased office buildings. This has resulted into a provision for onerous service facilities contracts for an amount of US\$3 million, of which US\$2 million is the current portion.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Restructuring

For the year 2020, total restructuring costs provided for were US\$46 million. US\$25 million has been reclassified to payables as the company has reached settlement agreements with the terminated employees and which is still unpaid as at December 31, 2020. The restructuring of the Company leads to a reduction of approximately 600 positions compared with year-end 2019.

Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter being the main driver of the increase in Other provisions during 2020.

4.3.27 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

| | <i>Notes</i> | 31 December 2020 | 31 December 2019 |
|-------------------------------------|---------------|-------------------------|-------------------------|
| Trade payables | | 131 | 143 |
| Accruals on projects | | 468 | 288 |
| Accruals regarding delivered orders | | 53 | 110 |
| Other payables | | 109 | 68 |
| Contract liability | 4.3.20 | 69 | 42 |
| Pension taxation | | 7 | 10 |
| Taxation and social security costs | | 110 | 103 |
| Current portion of deferred income | | 6 | 57 |
| Other non-trade payables | | 80 | 75 |
| Total | 4.3.29 | 1,033 | 896 |

The total trade and other payables increased due to the higher construction activities during 2020.

Accruals on projects increased mainly relate to progress made on projects and MPF hulls not yet invoiced by construction yards.